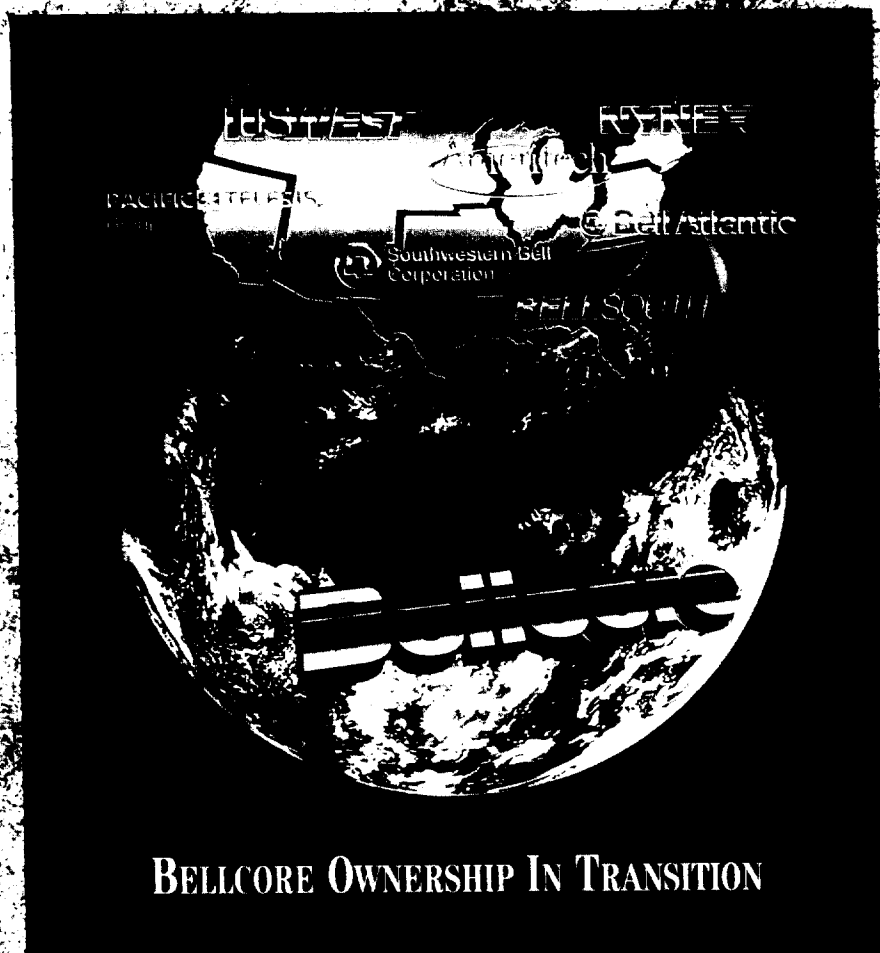


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BELLCORE OWNERSHIP IN TRANSITION

DRAFT LETTER TO ACCOMPANY BRIEFING PACKAGE

Dear

The seven Regional Bell Operating Companies (RBOCs) have reached an agreement to sell their interests in Bellcore, their wholly-owned engineering, software, consulting services, and research consortium to _____

The strategic decision of the RBOCs to sell **Bellcore** was fostered by the dramatic changes that have occurred in the telecommunications environment since the Company was created and the enormous impact of these changes on both the RBOCs and Bellcore. Initiatives/actions/rulings by Congress, the Courts, the FCC, and State Commissions coupled with rapid changes in market demand and technology innovation have made consortium ownership of such an entity an anomaly in an ever-changing environment. The RBOCs' increasingly competitive initiatives, diverse business strategies and directions, when combined with growing industry demands for customized services from Bellcore, positions this sale as offering a strategic capability for new competitive entrants into the telecommunications environment. Likewise, it serves as a complement to the goals and objectives of public policy bodies focused on stimulating competition.

Bellcore was created in 1984 as an outgrowth of the Modification of Final Judgment associated with the AT&T divestiture. **Bellcore** was originally designed to provide the seven RBOCs a joint facility for research and engineering to replace functions which heretofore had been performed by AT&T, Bell Laboratories and other AT&T subsidiaries. **Bellcore** was also designed to perform the Court-mandated requirement of coordinating National Security and Emergency Preparedness (NS/EP) activities for the RBOCs' portion of the U.S. telecommunications network. Bellcore's role has been to act as a single point of contact for the Federal Government for RBOC planning, operational coordination and support in times of emergency.

Since its inception, **Bellcore** has evolved with the changing environment, to become a world-class entity providing software systems, engineering, consulting services, technical training, other technically-related professional services, as well as customized research. Today, **Bellcore** provides products and services to over eight hundred (800) companies, both domestically and internationally. The RBOCs, through their **Bellcore** Board of Directors, determined that an entity such as this, renowned worldwide, when released

from a consortium-ownership arrangement would not only have the opportunity to expand both its customer base, and its products and services, but would also be better positioned to meet the “Company-specific” needs of its current owners.

The Board’s final decision to sell their interests and to position **Bellcore** as an entity independent of RBOCs was premised on three major objectives: (1) to provide for Bellcore’s continued capability and availability as a resource for leading edge technology and information solutions; (2) to position **Bellcore** with an opportunity to grow and prosper and (3) to continue the RBOCs’ commitment to National Security and Emergency Preparedness (NS/EP).

The RBOCs’ commitment to a central point of coordination for NS/EP for their portion of the national telecommunications network will not be altered by a change in ownership of Bellcore. The RBOCs will continue the NS/EP function and their commitment to network reliability and interoperability through the formation of a new entity, the National Telecommunications Alliance (NTA) which will be headquartered in Washington, D.C. Bellcore, through negotiated contracts with NTA, will provide continuing technical support for the reliability and interoperability of the existing telecommunications network.

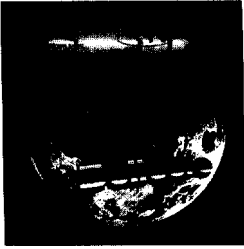
The RBOCs will seek, where required by statutes and/or rules, expedient approvals to consummate this sale. Prompt action on this matter is critical to providing a firm sense of direction for and commitment to Bellcore’s primary assets - its employees.

The result of this sale will be continuance of **Bellcore** as one of the nation’s telecommunications industry leaders for innovative communications software and networking solutions. It will also create an entity independent of RBOC ownership whose knowledge, experience and innovation will be even more accessible to the entire marketplace.

An information packet is attached for your review which gives additional information regarding the Board’s decision to sell their interests in Bellcore.

If you have any questions or would like to discuss this most important initiative, please contact _____ at _____

Vice President - Federal Relations
_____ Corporation



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BELLCORE OWNERSHIP IN TRANSITION

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Buyer Profile Overview

FEB 26 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

The Regional Bell Operating Companies (RBOCs) have reached an agreement to sell Bellcore, their software development, engineering, professional services and research firm to Science Applications International Corporation (SAIC).

SAIC, the United States' largest employee-owned research and engineering firm is a natural match to the technical capabilities that **Bellcore** provides to the information industry. The combining of **Bellcore** with SAIC will constitute one of the largest and most technically diverse information industry oriented research and software development capabilities in the United States. Through employee ownership, SAIC's continual drive for technical excellence and its very strong customer/provider teamwork approach makes it a unique competitor in the industry.

Created in 1969, SAIC and its subsidiaries have an employee base today of over 22,000. SAIC operates today in over 475 locations worldwide in support of nearly 1,000 customers. One of SAIC's critical capabilities for worldwide growth has been the strategic positioning of its offices near its major customers. Such an approach facilitates efficient and rapid response to customer's needs which is complementary to Bellcore's own strategy with its seven largest customers, the RBOCs.

SAIC's geographic deployment of its expertise has resulted in strategic growth in Europe, Asia-Pacific, and Latin America. In addition, SAIC's international strategy of partnering, teaming or joint ventures with local companies that have established market presence has provided the catalysts for immediate penetration of those markets through an in-depth understanding of the customer and their markets. International presence will be a major complementary asset to **Bellcore** as it strives to become a provider of choice worldwide.

SAIC shares a vision with **Bellcore** for worldwide presence through technical excellence, adaptability and growth. Bellcore's mission, to be the worldwide information industry's first choice for innovative and comprehensive networking solutions by utilizing its unique combination of network, software and business process skills that add value to meeting its customers' strategic business needs greatly enhances SAIC's role in the telecommunications industry.

SAIC's strong focus on vision attainment has produced 26 consecutive years of record financial results. The Company's debt-free approach along with strong cash reserves has financed growth and job creation — two key objectives of Bellcore.

SAIC, with an annual revenue growth rate of 12%, ended 1995 with \$2.8 billion in new contract awards and a firm-order backlog of over \$1 billion. Annual revenue for 1995 exceeded \$2.1 billion with a compound annual growth rate of 21 percent (%) for the last 25 years. Bellcore, with annual sales in excess of \$1 .0 Billion representing business contracts with more than 800 customers, complements the achievements of SAIC in growth, stability and opportunity.

SAIC's scope of expertise is demonstrated in the more than 5,000 contracts it negotiates annually covering international, government, and commercial markets. Its emphasis on software development and engineering of high technology systems supported with state-of-the-art software makes SAIC one of the most respected systems integrators **today, even** before the addition of **Bellcore** to its portfolio.

SAIC's major technology capabilities, which include national security, health care, information technology, energy and utility control systems, high technology products, environmental modeling and support, and transportation information systems will be enhanced by Bellcore's capabilities.

SAIC's current organization structure of three major business areas will be increased to four with the addition of Bellcore. These business areas include Commercial and International; Research and Development; Systems Integration and Engineering Services. Bellcore, as the fourth business area, will be responsible for Telecommunications initiatives while actively supporting initiatives in SAIC's other business initiatives.

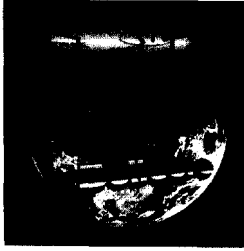
Bellcore will have its own CEO and Board of Directors to ensure that, as the fourth business area of SAIC, it focuses on current customer needs. The **Bellcore** Board will be comprised of officers from Bellcore, SAIC, and experts in the telecommunications industry.

As demonstrated above, this acquisition by SAIC creates significant synergies that will be of immediate benefit to Bellcore's customers.

SAIC and **Bellcore** complement one another in many ways including skill sets and customer base. Both are developers of millions of lines of software code and extremely complex systems that perform reliably under the most adverse conditions. Such significant commonalties allow SAIC to understand the scale, difficulty, complexity, and importance of the work that **Bellcore** currently performs for its owners/customers. SAIC is committed to meet the ongoing **needs** of the RBOCs and Bellcore's other customers as well.

The merger of these two companies, with their related technologies, skills, values, and focus, will result in continued and enhanced availability of the products and services required by the RBOCs from an extremely talented, financially capable, customer-focused provider.

With this sale, the RBOCs now have the opportunity to benefit from the many contributions that a merged **Bellcore/SAIC** entity can provide in meeting their company specific needs. Similarly, the information industry, as well as other industries, will now have full access to and can benefit from the many skills, capabilities, technologies, and research that **Bellcore** has become famous for in its provisioning of quality products and services.



B E L L C O R E O W N E R S H I P I N T R A N S I T I O N

Why The Regional Bell Operating Companies Are Selling Bellcore

- Bellcore's creation, structure, and focus in support of the joint technical needs of its owners, primarily in their provision of exchange/exchange access services, was premised on a basic set of assumptions and circumstances that existed in 1983 and were expected to continue for some period of time:
 - owners were essentially providers of exchange and exchange access services;
 - such exchange and exchange access services were not highly competitive;
 - operations systems, deployment plans and methods of the seven owner companies were virtually identical;
 - most owners needed essentially the same or similar technical solutions delivered in comparable time frames;
 - owners wanted and needed to share information to maintain and enhance network interoperability and to jointly oversee the technical work performed to meet such common needs; and
 - a consistent focus on research and development was most advantageous to the owners given the environment and commonality of systems and networks.

Bellcore Ownership in Transition

- The environment and the conditions existing at the time of Bellcore's creation have changed and continue to change dramatically:
 - **Bellcore** has become an anomaly as a consortium entity in a continually changing environment driven by the Congress, the Courts, the FCC, State Commissions, market demand, technological innovation and competition.
 - The Regional Bell Companies' business strategies, directions and timelines have rapidly diverged causing significant differences in the nature of the services they require. With not all wanting or needing the same degree and/or type of common services, common ownership of a research and engineering facility has become increasingly restrictive to each owner, and **Bellcore** as well.
 - Failure to position **Bellcore** independent of consortium ownership will limit its accessibility to the industry and the world, thus placing its technical capabilities and future financial viability in jeopardy.
 - Competition among the Regional Bell Companies has increased substantially over the years and is accelerating at a very rapid pace. Each company now requires significantly more individualized, client-specific services to ensure that its divergent and competitive interests are best served and protected.
 - Increased competition has diminished the need for commonality, and thus limited the value of joint activity in all areas of **Bellcore**, which has also challenged the continuing benefits of a common research and engineering entity.

Bellcore Ownership in Transition

- **Bellcore** is recognized worldwide for its telecommunications excellence in research and development. It holds close to seven hundred domestic and foreign patents thus making it a critical resource for the telecommunications industry. Nevertheless, many potential customers have a reluctance to select **Bellcore's** products and services under the current ownership oversight.
- Changing business strategies of the Regional Bell Companies, convergence of the telecommunications and information industries along with numerous regulatory and consortium constraints make operating **Bellcore** as currently structured increasingly burdensome.

Results of the Sale

- A consortium environment that drives joint decision making will be superseded by an environment wherein **Bellcore** can be fully customer focused and market responsive.
- **Bellcore**, as an entity independent of the Regional Bell Operating Companies, will have the opportunity to provide a broader base of customized products and services to the telecommunications and information industries — including its current owners. The knowledge, experience and innovation residing in **Bellcore** will be more accessible to the entire marketplace — fueling economic growth, competitiveness and delivery of the benefits of the information age, both domestically and internationally.
- The Regional Bell Operating Companies, who are growing competitors with one another, will no longer be constrained by a common consortium ownership arrangement, thus giving them far more flexibility to obtain individualized, client-specific solutions from a divested **Bellcore**.

Bellcore Ownership in Transition

- The Regional Bell Companies' continued commitment to providing a Single Point of Contact for National Security and Emergency Preparedness and a coordinated effort for network reliability and interoperability will be met through a new entity, the National Telecommunications alliance (NTA). NTA will initially be owned by the seven regions. **Bellcore** will continue to play a key role in providing support for the public telecommunications network through multi-year contracts with NTA, the Regional Bell Operating companies, and other industry players.



B E L L C O R E O W N E R S H I P I N T R A N S I T I O N

Who/What Is Bellcore

Bell Communications Research Inc. ("Bellcore") is a leading telecommunications industry provider of software systems, engineering, consulting services, and technical training, all supported by world class research. **Bellcore** is the primary provider of the critical operations software that is a cornerstone of the telecommunications networks of the Regional Holding Companies (the "RHCs") and/or their Bell Operating Companies ("RBOCs").

Bellcore provides its customers with telecommunications technology solutions and support in many areas. Bellcore's software offerings include the development, testing, maintenance and support of software for network services and operations support systems. Consulting services include network architecture design, systems planning and integration, and technical training. The Company also offers advanced research services, including current and next-generation technology development as well as technical analysis. Bellcore's experience in providing telecommunication solutions has contributed to its unique understanding of the telecommunications industry thereby enabling the Company to play a leading role in developing requirements and industry standards in the telecommunications industry.

Since its formation in 1984, **Bellcore** has taken a leadership role in developing a number of the new technologies and capabilities that form a foundation for today's global telecommunications networks. These technologies and capabilities include:

- *Intelligent Network (IN)* — Today, through Bellcore's design and software implementation of the IN, this network handles substantially all 800 service and credit card calls in the U.S.

Bellcore Ownership in Transition

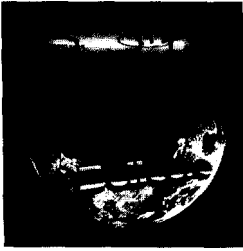
- *Advanced Intelligent Network (AIN)* — An architecture enabling advanced voice and messaging services to be delivered over a **vendor-neutral** local exchange network and providing platform capabilities for major networking advances such as number portability.
- *Integrated Services Digital Network (ISDN)* — An end-to-end digital network technology designed to facilitate customer access into voice, data and imaging communications at speeds much higher than **analog-based** telecommunications services.
- *Network Integrity* — Teaming of **Bellcore** and RBOC experts to ensure network reliability and integrity and to restore service in the face of many national disasters such as the 1989 California earthquake, Hurricane Andrew, and the World Trade Center bombing.
- *Broadband Capabilities* — Leading developer of broadband standards including Asynchronous Transfer Mode (ATM), a key technology now forming national and global information infrastructures and the supporting Synchronous Optical Network (SONET), a technology for broadband fiber-optic telecommunications.
- *Technology Portfolio* — One of the leading telecommunications technology and intellectual property portfolios, including close to 700 U.S. and foreign patents.

To complement its technological capabilities, **Bellcore** aggressively pursues opportunities in today's rapidly changing telecommunications industry through its two distinct business groups, Software Systems and Professional Services, supported by a world class research and development effort.

Bellcore, with 1995 revenues of over \$1 billion, is one of the leaders in providing comprehensive network solutions to the telecommunications industry. Bellcore's customers include global providers of wireless, cable and **wireline** services as well as most major suppliers of telecommunications equipment. Bellcore's major non-RBOC customers include AT&T, IBM, Northern Telecom, Sprint, and Government.

Bellcore Ownership in Transition

The Company has approximately 5,800 employees, including over 4,000 highly trained engineers, scientists and software developers. These individuals have earned **Bellcore** a worldwide reputation for technical objectivity and the ability to provide focused, high value, end-to-end solutions to customers.



B E L L C O R E O W N E R S H I P I N T R A N S I T I O N

HISTORICAL OVERVIEW OF BELLCORE

Bellcore's creation in 1984 was an outgrowth of the Modification of Final Judgment (MFJ) associated with the AT&T divestiture. Its purpose was to provide the seven Regional Bell Operating Companies (RBOCs) a joint research facility with a primary focus of supporting development and implementation of exchange and exchange access, in addition to other services that could be done more efficiently on a centralized basis. Bellcore was designated by the RBOCs as the central point of contact for their MFJ requirement for coordination of National Security and Emergency Preparedness (NS/EP) for their portion of the U.S. telecommunications network.

Since its inception, Bellcore has been a major contributor to the advancement of the public telecommunications network. Bellcore's patent portfolio today is close to 700 domestic and foreign patents in technology. Bellcore was the creator of the advanced intelligent network concept and made national Integrated Services Digital Network (ISDN) a reality. It led the implementation of a host of other national initiatives, such as portable 800 database service, and continues to play a key role in helping to develop network standards for the evolution of a new national information infrastructure. Bellcore has assisted in ensuring the reliability of common channel signaling (CCS) networks and has provided the tools for the planning, design and operation of the global standards for Synchronous Optical Network (SONET) and Asynchronous Transfer Mode (ATM) that underpin the high speed, broadband fiber optic based multi-media services of the future. Bellcore has developed technologies that have complemented the goals of universal service, such as enabling the disabled to more easily access information networks.

Bellcore is recognized worldwide for its core competencies and its uniqueness in its ability to provide end-to-end solutions for its customers with more than 4,000 highly trained and experienced engineers and scientists who provide a critical mass of telecommunications expertise and resources.

Bellcore Ownership in Transition

Bellcore's major contributions are driven by its:

- network technical objectivity
- systems integration capabilities
- network specifications and standards initiatives
- software products and expertise
- inventory of leading edge operations support systems
- world-renowned applied research capabilities

The telecommunications industry has changed dramatically over the twelve years of Bellcore's existence. The rate of change continues to accelerate with public policy changes increasingly removing barriers to competition in all markets with technologies of telecommunications, video and data converging and new markets evolving. The result is a complete change in the assumption set underlying the current **Bellcore** consortium construct and Regional Bell Operating Company ownership.

With the Regional Bell Operating Companies entering new markets, developing unique and company-specific competitive strategies, and requiring **company-**specific research and services, a change in ownership to an independent communications software, engineering, and consulting services entity has become a necessity for the seven Regional owners, **Bellcore** and the industry at large.

Thus, after careful deliberation, Bellcore's owners (the Regional Bell Operating Companies) decided to sell their ownership of Bellcore.

The results of this action will be a more flexible **Bellcore** ready and able to respond to an entire industry on a company-specific basis with an expanded scope of products and services. What has become a national resource will truly be a resource available to a very rapidly growing set of participants in a robust, competitive telecommunications market.

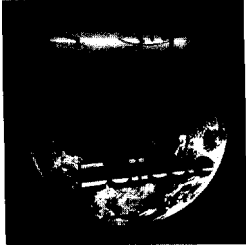


BELLCORE OWNERSHIP IN TRANSITION

Bell Communications Research (Bellcore)

EAST FACTS

- Established: January 1, 1984
- Origin: Created under the Plan of Reorganization with the Divestiture of AT&T.
- Nation's largest consortium provider of communications software development, systems engineering, consulting services, technical training and research.
- Ownership: The telecommunications companies of Ameritech, Bell Atlantic, BellSouth, NYNEX, Pacific Telesis, Southwestern Bell, U S WEST.
- Over 800 clients worldwide in a variety of industries: AT&T, Bell Canada, Cincinnati Bell, Inc., GTE, Southern New England Telephone, Puerto Rico Telephone, Rochester Telephone Company, Sprint, Stentor, the United States government, and various foreign telecommunications companies.
- Historical Mission: Provide technical support and other services to meet the needs of its owners in provisioning exchange and exchange access telecommunications services and the single point of contact for coordination of communications services associated with national security and emergency preparedness.
- Future Mission: To become the information industry's first choice for innovative and comprehensive networking solutions.
- 1996 Budget: \$1 billion (+)
- Number of employees: 5800
- Headquarters: Morristown, New Jersey
- Operations Locations: Morristown, Piscataway (2), Red Bank and Chester, New Jersey; Lisle, Illinois; and Washington, D.C. Sales and technical offices throughout the United States with regional international headquarters in Miami, Hong Kong and London.
- Patents: 532 U.S.; 160 international

**B E L L C O R E O W N E R S H I P I N T R A N S I T I O N****Regional Bell Operating Companies'
Commitment to
NATIONAL SECURITY EMERGENCY PREPAREDNESS**

The Modification of Final Judgment (MFJ) associated with the divestiture of AT&T, specified that the seven Regional Bell Operating Companies (RBOCs):

“ . . shall provide through a centralized organization, a single point of contact for coordination of the **BOCs** to meet the requirements of National Security and Emergency Preparedness.”

The Plan of Reorganization supporting the MFJ and the RBOCs designated **Bellcore** as the **NS/EP** central point of contact for their portion of the U.S. telecommunications network.

Bellcore was created in 1984 as an outgrowth of the MFJ to provide the seven Regional Bell Companies with a centralized organization for the provisioning of engineering, software, administrative, and other services. Its primary focus initially was to perform research, systems engineering and other centralized support for exchange and exchange access services. The RBOCs also assigned to **Bellcore** the facilitation of the technical integrity in support of National Security/Emergency Preparedness (**NS/EP**) of the Nation's telecommunications network, for which the RBOCs have responsibility.

Bellcore established a centralized National Security/Emergency Preparedness office in Washington, DC, in January, 1984. The **NS/EP** group has since performed the single point of contact function for, and in partnership with, the seven Regional Bell Operating Companies (RBOCs) as well as Southern New England Telephone and Cincinnati Bell.

Bellcore Ownership in Transition

As the designated centralized point of contact, Bellcore's NS/EP office has performed the following key functions:

- . ..Operated a National Emergency Control Center connected with the Regional companies' emergency centers and the National Communications System, the government's designated lead agency.
- . ..Operated emergency communications networks to support nationwide emergency connectivity to appropriate centers.
- . ..Provided ongoing monitoring, evaluation, communications and alerting capability for NS/EP-type events.
- . ..Coordinated and directed, if necessary, restoration activities during emergencies, as well as the development and implementation of uniform technical standards for NS/EP telecommunication.
- . ..Coordinated with the RBOCs and others for the provision of nationwide emergency plans and procedures.

Bellcore NS/EP, on behalf of its owners and clients, has also maintained a full-time presence in the government's National Coordinating Center for Telecommunications in Arlington, Virginia. In addition, Dr. George Heilmeier, Bellcore's President and CEO, has represented the RBOCs in the numerous planning activities of the President's National Security Telecommunication Advisory Committee (NSTAC).

The Regional Bell Operating Companies have expended considerable resources planning how they would continue their commitment to support the centralized NS/EP function should the sale of **Bellcore** materialize. The result of this planning has been the decision to form a new entity, the National Telecommunications Alliance (NTA). NTA will initially be jointly held and equally funded by the seven companies and as one of several critical roles in network reliability, will serve as the Single Point of Contact for NS/EP for the seven RBOCs. At some future point, NTA may be opened to expanded membership. NTA, functioning as a point of

Bellcore Ownership in Transition

coordination and operation for NS/EP will, initially, contract with **Bellcore** for the necessary technical expertise to meet its needs.

The Regional Bell Operating Companies, through their newly formed NTA Board of Directors, have retained Larry Schumann as NTA's President and Chief Executive Officer who will coordinate final planning, implementation and assume responsibility for all operations of the firm. NTA is being formed as a 501(c) "for profit" corporation, but expects to operate as a "not for profit" firm. Bellcore's NS/EP operations in Washington, DC, will be transferred to NTA, which will occupy Bellcore's current facilities.

Federal agencies (DoD and others), which have become accustomed to working through a **Bellcore** Single Point of Contact, can expect NTA as the central contact point to provide the same level of commitment and service quality.



BELLCORE OWNERSHIP IN TRANSITION

QUESTIONS AND ANSWERS

1. Q. What caused the Regional Bell Operating Companies (RBOCs) to take such a significant step as selling Bellcore, which supports their engineering, software, professional services, and research needs?

A. Dramatic changes have occurred in the telecommunications environment since Bellcore's inception in 1984. These changes have been driven by actions and/or rulings of the Congress, the Courts, the FCC, and State Commissions, all designed to stimulate competitive entry and expanded service offerings.

Such public policy changes, however, when coupled with rapid changes in market demand, technological innovation and new freedoms to compete, have made a consortium ownership arrangement an anomaly in an environment where the RBOCs are actually competing with one another. The competitive initiatives of the RBOCs have contributed to significant divergence in their business plans, strategies, and timing for deployment of various technologies and services. Bellcore, independent of RBOC ownership, will have much more flexibility to compete and respond to not only the diverging RBOC-specific needs, but also any other customer in the industry.

2. Q. Is this a significant event for the telecommunications industry?

A. Yes it is. Technologies for telecommunications, video, and data are converging in response to major marketplace demands. Such convergence, growth, and opportunities have stimulated a proliferation of new manufacturers, suppliers, and service providers. Though Bellcore has been an available resource in recent years to some of these new players, this sale will remove many barriers that have continued, one of which being a reluctance by these new players to do business with an entity owned by the Regional Bell Operating Companies — often their largest competitors.

Bellcore Ownership in Transition

Bellcore, with its reputation both nationally and worldwide as an industry leader in innovative communications software, technical solutions and leading edge research, will now have as its focus the entire information industry marketplace. It will also have the flexibility to be truly responsive on a customer-specific basis unencumbered by joint and common consortium thinking and processes.

3. Q. What was the process the Bellcore Board followed to arrive at a decision to sell Bellcore?

A. The Regional Bell Operating Companies' (RBOCs') decision to sell **Bellcore** was not easy given the significant role **Bellcore** has played in supporting their business needs.

After completing a thorough examination of the current structure and numerous alternatives for modification, the RBOCs concluded that the option of selling should be addressed given the growing diversity of needs, strategies and deployment plans of Bellcore's owners.

The **Bellcore** Board of Directors subsequently developed a basic set of criteria to serve as the template for all decisions leading to the sale. The criteria included compatibility of technical effort, strategic directions and national interest; financial capability; ability to grow and enhance the business; technical and management resources; international presence and/or knowledge; vendor neutrality; flexibility in the regulatory and judicial arenas and the assurance that the RBOCs' technical needs would continue to be met.

Assisted by co-global bankers, Morgan Stanley and Lehman Brothers, the Board (using their criteria as a template) followed an approach of broadly, but selectively, marketing the firm. This action produced a list of interested potential buyers which was subsequently narrowed and ultimately, after detailed negotiations, a final decision was made.

Bellcore Ownership in Transition

4. Q. When did the Bellcore Board start the process of selectively marketing Bellcore for the purpose of selling it?

A. The Board publicly announced on April 13, 1995 their intent to pursue the disposition of their interests in Bellcore.

The ultimate decision to sell was predicated upon finding a buyer(s) that not only met the criteria they, the Board, had set forth as a template, but also which met their own company objectives. These objectives included maintaining Bellcore's capability and availability as a resource for leading edge technology and information solutions; positioning Bellcore to have the opportunity to grow and prosper; and allowing them, the RBOCs, to continue their commitment to National Security and Emergency Preparedness (NS/EP).

Immediately following the April 13 announcement, the Board charged Bellcore with developing the tools necessary for a buyer(s) to make an informed decision. Such tools included, among other things, a comprehensive business plan based upon a commercial vendor/supplier approach and an information memorandum which described the nature of Bellcore's business, the industry in which it operates — its products, markets, customers, and various other types of information pertaining to the company's structure and management. Upon resolution of proprietary information agreements with potential buyers, these documents were provided to them in the first quarter of this year.

5. Q. Do the Regional Bell Operating Companies (RBOCs) plan to do business with Bellcore once it is sold?

A. Absolutely. In fact, the RBOCs' own sale objectives focused on the availability, capability and viability of Bellcore as a resource for leading edge technology and information solutions in a post-sale environment. The RBOCs and Bellcore, collectively and on a region-specific basis, began the steps immediately following the announcement to assure the achievement of the RBOCs' objectives and to ensure there would be no impairment to both availability and flexibility of products and services in both the interim and post-sale periods. The results of these initiatives were development of fundamental principles and related contracts to meet the specific needs of each Company.

Bellcore Ownership in Transition

Negotiations leading to contract development are ongoing efforts which are comparable to negotiations with any vendor or supplier of products and services to each of the RBOCs.

The Regional Bell Operating Companies view **Bellcore** as a very critical resource of choice for not only their embedded systems and services, but also their needs for technical innovation, creative solutions and technical expertise.

6. Q. What is the likelihood of Bellcore being a viable entity independent of RBOCs' ownership?

A. Very good. **Bellcore** has built a worldwide reputation as a well-managed, innovative software and professional services entity with more than 5,000 highly trained and experienced scientific, technical and business experts. **Bellcore** has a very successful record of effectively competing in the marketplace. Its business plan has been thoroughly scrutinized by various potential buyers and has been found to be properly focused and attainable. The result will be a firm that continues to be a major vendor source of choice for technology development, new products and services for information industry players.

7. Q. What is Bellcore's perspective of this announcement?

A. Very excited, challenged, and eager to enter this next stage of its successful career. **Bellcore's** ability to attract and serve today over eight hundred customers domestic and internationally, while operating under an ownership umbrella of joint decision-making, demonstrates its creativeness, its quality of products and services and its timeliness to market. In its new life, guided and assisted by its new owner, **Bellcore** sees enormous opportunities for growth and new initiatives through a growing customer base, expanded products and services and major innovations.

This announcement now effectively removes a cloud of uncertainty to **Bellcore's** key assets — its employees. They understand the importance of continuing to successfully compete for the RBOCs business while addressing new markets and they eagerly accept those challenges.

Bellcore Ownership in Transition

8. Q. What will be the impact of today's announcement of the sale of Bellcore on the RBOCs' customers?

A. Initially, it should be transparent with all the planning, negotiations, and contractual provisions designed to ensure continued availability and quality of Bellcore's products and services to each Company.

In the very immediate future, Bellcore, as an entity independent of consortium ownership, will demonstrate its improved abilities to provide client-specific solutions which is one of the driving forces by the RBOCs in this sale initiative. The benefits to RBOC customers of improved flexibility and company-specific solutions will be improved responsiveness to marketplace needs through more customized products and services in a more timely manner.

9. Q. How will this sale of Bellcore affect the integrity of the national telecommunications network?

A. Network integrity together with network interoperability and reliability has been, and will continue to be, a key focus of the RBOCs. The RBOCs will continue to meet their commitments to National Security and Emergency Preparedness (NS/EP) and coordinate their efforts for network reliability through the formation of a new entity, the National Telecommunications Alliance (NTA). Bellcore will continue to be a critical player in developing network integrity solutions, as well as providing necessary services in support of the RBOCs' NS/EP commitments through negotiated contracts with NTA and each regional company.

10. Q. With this sale, will Bellcore ultimately become a publicly traded company?

A. The Bellcore Board examined various alternatives as a means of successfully divesting Bellcore, including positioning Bellcore as a publicly traded company. The Board determined that such a disposition was not in their (the RBOCs') best interest nor Bellcore's. Consequently, the Board followed a path that has led to this very successful conclusion.

Bellcore Ownership in Transition

Bellcore's financials, its expertise, and its potential were all carefully examined and found to be an excellent complement to the buyer's portfolio business. It is Bellcore's desire and plan to become a key contributor to its new owner.

11. Q. How should various public policy bodies view this sale?

A. At a time when history is being made with rapid development in the information industry, new technologies abounding, major changes in public policy guidelines designed to enhance and stimulate competitive entry, major proliferations of new players, this industry is very much in need of access to a leading edge software engineering, research, and professional services entity. This should cause public policy bodies to applaud the sale.

The RBOCs, in agreeing to sell Bellcore, will enhance not only their own company-specific needs, but also those of the industry at large which is a major plus to enhancing competition in the marketplace. The RBOCs' critical examination of potential buyers and subsequent negotiations leading to a consummated sale has better positioned Bellcore to be a major player and provider in the information industry marketplace, which further enhances the goals and objectives of public policy bodies, both federal and state.

12. Q. Will there be any effect on jobs at Bellcore this sale?

A. One of the objectives of the RBOCs in this sale initiative was to position Bellcore where it would have the opportunity to grow and prosper. This announcement today successfully achieves that objective.

Today, Bellcore, under its new ownership, has started down a path to expand its business, grow its revenue and create opportunities for growth by its employees. Its success will dictate the staffing levels. Its objectives will continue to be, as they have been in the past — to optimize value to its owner and its customers through streamlined well-defined delivery channels that produce leading-edge technology and valuable technical solutions. Bellcore is prepared to meet these objectives and looks forward to the challenges and opportunities awaiting it and its key assets — its employees.

Bellcore Ownership in Transition

13. Q. How will the RBOCs' future levels of business with Bellcore compare to today?

A. The RBOCs have always operated as “buyers” of Bellcore products, services and research — even though they owned the company. They will continue to make prudent business decisions related to purchasing Bellcore's products and services.

The negotiations and subsequent contracts that have already been finalized between each RBOC and Bellcore demonstrate that the RBOCs see continuing value in Bellcore's products and services. These contracts covering both annual and multi-year periods are designed to ensure that the RBOCs continue to have available to them the products and services they require. Bellcore will continue to actively market its products and services to the RBOCs as it has in the past. Bellcore expects the RBOCs' future decisions to buy from it will be for the same reasons that they have been in the past — business value, quality, innovation, responsiveness, and cost.

14. Q. Will Bellcore be regulated under its new ownership?

A. Not as it is today. All companies must meet some form of regulation, sometimes both federal and state, depending upon the nature of their business.

Bellcore, under its new ownership, will become a normal commercial firm subject to various laws and regulations applicable to similar firms with similar lines of business. Bellcore, however, will not continue to be subject to the various affiliate interest rules that have heretofore been applied because of being owned by companies subject to common carrier regulation.

There are specific provisions of the Telecommunications Act of 1996, however, which pertain to certain functions performed by Bellcore that the company is prepared to address and be in full compliance.